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| **To:** | Customer and Communities Policy Overview and Scrutiny Committee |
| **By:** | Mike Hill, Cabinet Member for Customer & Communities Services<br>Amanda Honey, Managing Director for Customer & Communities |
| **Date:** | 21 March 2012 |
| **Subject:** | Financial Monitoring 2011/12 |
| **Classification:** | Unrestricted |

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**Summary:** Members of the POSC are asked to note the latest projected outturn figures for the directorate for 2011/12 based on the monitoring report to Cabinet on 19 March 2012.

**For Information and Comment**

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## 1. Introduction

1.1 This is a regular report to this Committee on the forecast outturn against budget for the Customer & Communities' portfolio.

## 2. Background

2.1 Policy Overview and Scrutiny Committees (POSCs) consider priorities for the Medium Term Plan (MTP) at their November meetings and the draft MTP and annual budget at their January meetings. Two reports are presented to the Committee on a regular basis to inform discussions:

a) Budget Monitoring Reports

Quarterly budget monitoring reports are presented to Cabinet usually in September, December and March. The Customer & Communities' annex to these reports is reported to the POSC at the earliest opportunity and keeps Members informed about current trends, pressures and management actions in advance of budget setting. In the intervening months, an exception report is presented.

The approved A-Z of budgets has been realigned for the first quarter's budget monitoring to reflect the new portfolio responsibilities and new directorate structures to give a new starting point for the year.

b) Outturn Report

The outturn report in July summarises financial and performance information for the preceding year.

## 3 Quarterly Monitoring Report

3.1 Attached is the full monitoring report for the third quarter in 2011-12 which reflects the latest forecast outturn position based on December's actual spend to date.

The salient points from this report are highlighted below, together with any movement from the position reported at the January meeting which was based on the forecast outturn as at September.

**3.2 Revenue**

3.2.1 Members were informed in the January meeting's papers that the directorate was forecasting a net overspend of £0.13m, a favourable movement of £0.29m when compared to the £0.42m pressure reported at the November meeting.

3.2.2 At the meeting, members were informed (orally) that the latest exception report – which had not been presented to Cabinet when papers were distributed – showed a much improved position of a £373k underspend. Services had reviewed their expenditure and curtailed non-essential spend in line with senior management instruction.

3.2.3 In the latest report to Cabinet, I am pleased to report the directorate has been able to increase the forecast underspend and is now reporting an estimated underspend of £5.05m, a movement of £5.18m.

3.2.4 The majority of this movement relates to delay in the launch of the two Big Society programme themes, from Quarter 4 in 2011/12 to Quarter 1 in 2012/13, which alone accounts for £4m.

The remainder (£1.18m) of the movement is outlined below and is as a result of further acceleration of 2012/13 savings, curtailment of non-essential spend and re-profiling of expenditure.

3.2.5 The key movements in the directorate's position are outlined below:

<u>Big Society: £0m to -£4.00m: a movement of -£4.00m</u>

- The Big Society Fund has two themes, the first to encourage Youth Employment, with the second to establish a loan fund to encourage and support social enterprises.

- A sum of £2m had been set aside to pump prime the Kent Employment Programme to encourage businesses to recruit long-term unemployed young people. The project will launch at the turn of the year with the majority of the budget to be spent in 2012/13, which has been re-phased accordingly.

- The loan fund – to be administered by Kent Community Foundation (KCF) – has been primed with £1m in the current year, with two further £1m donations in 2012/13 and 2013/14 respectively. The remaining £2m will be required for future years and has been re-phased accordingly.

- An aggregate roll forward request of £4m was included within the report to Cabinet to meet future year's commitments to these schemes.

<u>Contact Centre: £0.18m to -£0.11m: a movement of -£0.29m</u>

- The service has actively managed staffing levels - whilst improving and achieving the required key performance indicators - to deliver savings. In addition, a quality bonus has now been reflected due to the service achieving a required level of performance.

<u>Coroners: +£0.01m to -£0.20m: a movement of -£0.21m</u>

- A number of long inquests are awaiting a court date, witnesses or specialist tests that will not happen in this financial year and as a consequence, the service has released the budget allocation accordingly.

So as not to place undue burden on the service in 2012/13, a roll forward request of £150k is included within the report to Cabinet to meet this obligations which will now fall due over the course of the coming year.

Strategic Management & Directorate Support Budgets: +£0.50m to +£0.37m, a movement of -£0.13m

- The large proportion of this budget – and the reason for the overspend – is concerning the Communications & Engagement division, the reasons for which have been documented and discussed in previous meetings.

  In spite of this, staff savings have been made from vacancy management and from delays in appointing to posts in the new structure. This, along with curtailing non-essential spend in other directorate budgets under this heading, has enabled a more favourable forecast this month.

Youth Offending Service: -£0.08m to -£0.20m: a movement of -£0.12m

- A reduction in the number of young offenders being referred for secure accommodation placements and reduced activity/associated costs in Intensive Supervision and Surveillance has meant that the demand for services and forecast spend have both reduced accordingly.

Supporting Independence & Supported Employment: -£0.22m to -£0.33m: a movement of -£0.11m

- Both services have delivered staff savings through not appointing to vacant posts and a small budget towards the launch of the Kent Employment programme will now be spent at the beginning of 2012/13.

Youth: -£0.00m to -£0.10m: a movement of -£0.10m

- The service has delivered savings through the acceleration of management savings from the integration of Youth and Youth Offending services, as well as holding vacancies and not recruiting to posts.

Library & Archive Services: -£0.12m to -£0.21m: a movement of -£0.09m

- The accelerated implementation of Radio Frequency Identification (RFID) savings has delivered further underspends as the roll out of the programme nears completion and ahead of schedule.

3.2.2 The net result of the above outlines a movement of -£5.05m, representing the majority of the -£5.18m variance. The remaining movement consists of a number of minor compensating variances across the directorate.

3.2.3 A roll forward request of £4.78m has been included in the latest Cabinet report to fund the re-phasing of revenue projects where the anticipated expenditure will not now be incurred until 2012-2013.

**3.3 Capital**

3.3.1 The third quarter's full monitoring forecast indicates an underspend of £0.31m, consisting of real variances of £0.27m and re-phasing variances of -£0.58m.

3.3.2 The real variance of £0.27m comprises two issues; firstly in relation to the Modernisation of Assets budget where revenue contributions have been made in relation to capitalised expenditure e.g. works at Hextable Dance that were funded through the Arts Development Unit.

Secondly, specification adjustments and the commissioning of a piece of artwork at the Kent History & Library Centre have been presented for the first time. The art is outside of the build project but is fully funded from a revenue contribution so does not present a pressure to the authority.

3.3.3 The re-phasing variance is across several projects and where expenditure has been re-profiled from the final quarter in 2011/12 into the first few months of 2012/13.

**3.4 Saving Plans**

A summary report aggregating the impact and savings within the directorate's Project Implementation Documents (PIDs) was drafted and shared with this Committee at the July 2011 meeting. Progress against these PIDs is now included as part of the financial monitoring process and is included in the narrative above.

**4 Recommendations**

4.1 Members of the POSC are asked to note the projected outturn figures for the directorate for 2011/12, based on the monitoring report to Cabinet on March 19 2012.

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*Appendix:*
*The Customer and Communities annex to the 2011/12 quarter three budget monitoring report, as reported to Cabinet on 5th March 2012.*

# CUSTOMER & COMMUNITIES DIRECTORATE SUMMARY
# JANUARY 2011-12 FULL MONITORING REPORT

## 1. FINANCE

### 1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" i.e. where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full report to reflect a number of technical adjustments to budget.
- The inclusion of a number of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

| Budget Book Heading | Cash Limit | | | Variance | | | Comment |
|---|---|---|---|---|---|---|---|
| | G | I | N | G | I | N | |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | |
| **Communities, Customer Services & Improvement portfolio** | | | | | | | |
| C&C Strategic Management & Directorate Support Budgets | 5,551 | -1,451 | 4,100 | 107 | 262 | 369 | Shortfall in savings and income target in the Communications and Engagement division. |
| Other Services for Adults: | | | | | | | |
| - Drug & Alcohol Services | 20,008 | -18,483 | 1,525 | -42 | 20 | -22 | Reduced expenditure on Sex Exploitation Project. Reduced internal income offset by reduced spend on other running costs. |
| - Supporting People | 29,796 | | 29,796 | 3 | -3 | 0 | |
| | 49,804 | -18,483 | 31,321 | -39 | 17 | -22 | |
| Community Services: | | | | | | | |
| - Archive Service (incl Museum Development) | 1,342 | -424 | 918 | -77 | -42 | -119 | Reduced staff costs from vacancy management offset by Interreg project costs; reimbursement of staff costs from European regional delevelopment fund (ERDF) |
| - Arts Development (incl Turner Contemporary) | 2,374 | -90 | 2,284 | -37 | -27 | -64 | Reduced staff costs from vacancy management offset by increased running costs; additional income from various contributors towards project costs. |
| - Community Learning Services | 16,427 | -16,766 | -339 | -440 | 535 | 95 | Lower enrolment numbers (and lower drawdown on maximum contract values)& the associated reduction in employer contributions. Gross costs reduced accordingly but unable to fully mitigate the income reduction. |

| Budget Book Heading | Cash Limit | | | Variance | | | Comment |
|---|---|---|---|---|---|---|---|
| | G | I | N | G | I | N | |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | |
| - Community Safety | 1,877 | -226 | 1,651 | 75 | -49 | 26 | Increased staff costs due to backfill of maternity leave, & funding of two partnership officer's posts. Contribution from Gravesham BC towards anti terrorism costs. |
| - Community Wardens | 2,843 | -1 | 2,842 | -98 | -9 | -107 | Vacancy management savings and reduced transport costs. Reimbursement of costs from Kent Police. |
| - Contact Centre & Consumer Direct | 6,951 | -2,917 | 4,034 | -157 | 47 | -110 | Shortfall against savings target offset by reduced-staff costs in response to declining call volumes. Reduced income from Trading Standards South East Limited (TSSEL) due to declining call volumes, offset by increased internal and fees income. |
| - Gateways | 2,184 | -279 | 1,905 | 71 | -86 | -15 | Additional spend on County Wide Projects bought forward as a result of delay in roll out of Gateways and additional Intereg Funding. |
| - Library Services | 16,559 | -2,332 | 14,227 | -65 | -30 | -95 | Planned reduction in running costs to offset moving costs associated with Kent History & Library centre; reduced staff costs due RFID project. Increased contributions from Kent Cultural Trading, internal income, offset by reduced merchandising and fees income. |
| - Sports Development | 2,795 | -1,446 | 1,349 | -8 | -63 | -71 | Income from Dover District Council for Sandwich Open Golf higher than expected. |
| - Supporting Independence & Supported Employment | 2,942 | -2,009 | 933 | -376 | 48 | -328 | Reduced staff costs from vacancies expected to be held for the remainder of the year; reduced spend (and income) re: the Future Jobs Fund. Reduced contributions from DWP due to lack of take up for placements. Delays in recruitment of vulnerable learners has led to a reduction in costs & corresponding reduction in the need to draw down from reserves. |

| Budget Book Heading | Cash Limit | | | Variance | | | Comment |
|---|---|---|---|---|---|---|---|
| | G | I | N | G | I | N | |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | |
| - Big Society Fund | 5,000 | | 5,000 | -4,000 | 0 | -4,000 | Reduced spend due to the delay in launching the Big Society programme, roll fwd will be required to fund re-phasing into 12-13 & 13-14. |
| | 61,294 | -26,490 | 34,804 | -5,112 | 324 | -4,788 | |
| Environment: | | | | | | | |
| - Country Parks | 1,749 | -973 | 776 | 19 | -19 | 0 | Minor movements on gross spend and fee income. |
| - Countryside Access (incl PROW) | 3,244 | -1,145 | 2,099 | 24 | -21 | 3 | Increased gross costs & income from Kent Heritage project, offset by reduced spend on running costs and reduced fee income. |
| | 4,993 | -2,118 | 2,875 | 43 | -40 | 3 | |
| Local Democracy: | | | | | | | |
| - Local Boards | 639 | | 639 | 88 | 0 | 88 | Shortfall in savings target in relation to Community Engagement Officers posts. |
| - Member Grants | 1,303 | | 1,303 | 0 | 0 | 0 | |
| | 1,942 | 0 | 1,942 | 88 | 0 | 88 | |
| Regulatory Services: | | | | | | | |
| - Coroners | 2,840 | -475 | 2,365 | -195 | 0 | -195 | Reduced pay element for coroners, fees for deputy coroner and witness expenses due to delays in long inquests; reduced funeral directors and pathologist fees. A roll forward bid will be made for 12/13 to ensure future budget not overspent. |
| - Emergency Planning | 923 | -199 | 724 | -11 | -12 | -23 | Reduced staff costs from vacancy management, offset by costs of one off equipment purchases. Increased external contributions and fees income. |
| - Registration | 2,988 | -3,166 | -178 | -113 | 80 | -33 | Reduced spend due to vacancy management and savings on running costs. Income variance due to delay in contract with Bexley BC being offset by income from General Register Office (GRO) |
| - Trading Standards (including Kent Scientific Services) | 4,464 | -865 | 3,599 | -216 | 68 | -148 | Advancement of 12/13 savings to be achieved in 11/12 and savings on gross, mainly on staff. Shortfall against KSS income target. |
| | 11,215 | -4,705 | 6,510 | -535 | 136 | -399 | |

| Budget Book Heading | Cash Limit | | | Variance | | | Comment |
|---|---|---|---|---|---|---|---|
| | G | I | N | G | I | N | |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | |
| Support for Individual Children: | | | | | | | |
| - Youth Service | 10,326 | -4,234 | 6,092 | -88 | -8 | -96 | Reduced spend mainly through vacancy management, offset by increased other running costs/activities and lower than expected drawdown from reserves. Increased external contributions and internal income, offset by reduced fee income. |
| - Youth Offending Service | 6,061 | -2,726 | 3,335 | -106 | -97 | -203 | Reduced Expenditure on transport due to staff re-location and reduced activity/spend on secure accommodation, offset by additional spend from one-off funding which has also resulted in increased income. |
| | 16,387 | -6,960 | 9,427 | -194 | -105 | -299 | |
| | | | | | | | |
| **Total controllable** | **151,186** | **-60,207** | **90,979** | **-5,642** | **594** | **-5,048** | |

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 **Strategic Management & Directorate Support Budgets:** Gross +£107k, Income +£262k Net +£369k

The gross variance is due primarily to pressures of £246k in the Communications and Engagement division, offset by a number of minor variances across a number of services within this service grouping, which when aggregated, amounts to -£139k

The gross pressure of £246k within Communications and Engagement comprises the part-year effect (£500k) of the staff restructure savings proposal of £1.5m that will not be achieved until 2012-13 and the part-compensating underspend on staff costs, e.g. managing vacancies, of -£254k.
The -£139k of minor variances across the other services have been achieved in line with the directorate's policy of curtailing all non essential expenditure and extending vacancy management wherever possible.

The income variance can largely be explained by a shortfall against an income target of £244k for Communications and Engagement, which has been addressed in the budget build for 2012-13, and other minor variances across the other services of +£18k.

Overall therefore, the net pressure of £369k comprises a pressure on Communications and Engagement of +£490k (+£246k gross and +£244k income), which is being offset by underspends across this grouping of services of -£121k.

1.1.3.2 **Community Services:**

a. Community Learning Services: Gross -£440k, Income +£535k, Net +£95k

The Community Learning and Skills service has in the past - and has experienced again - a significant shortfall on income, which the service is unable to fully mitigate.

The income variance of £535k comprises of the following: the service has reduced its forecast in relation to sales, fees and charges, due to declining enrolment numbers (+£293k), which results in a lower than anticipated drawdown on maximum contract values. This decline in enrolment numbers has led to an expected reduction in contributions from employers (+£89k). Also, there is likely to be a reduction in the employer responsive grant income figures and, based upon current performance to date, it has been necessary to reduce the forecast for 16-18 apprenticeships, adult apprenticeships and work based learning by a total of £153k.

The service is unable to fully offset these funding reductions in the current year but a gross variance of -£440k is reported reflecting the management action adopted by the service to mitigate the shortfall in income: the service has brought forward staff and management restructures (offset by one-off costs to be incurred for redundancy); withheld training and development budget for tutors; reduced business & development budgets aimed at increasing the range and quality of services offered to students and employers and has ceased making a contribution towards childcare costs so that people can attend certain courses. External partners will now contribute towards these costs and therefore no impact on the individual.

A net shortfall against the budgeted contribution to KCC of £95k is therefore reported. Further funding changes could present a significant challenge to the service, both in-year and in the future.

b. <u>Community Wardens: Gross -£98k, Income: -£9k, Net - £107k</u>

The service has made savings on staff expenditure of -£103k, mainly through vacancy management, but also through the retirement of the head of the wardens' service post which has been deleted. A recruitment programme will commence in March and it is expected that 10 warden vacancies will be filled during the month. Other compensating variances of +£5k account for the remainder of the gross variance.

c. <u>Contact Centre & Consumer Direct: Gross -£157k, Income +£47k, Net -£110k</u>

A pressure continues to remain in relation to a shortfall against a savings target (+£246k) associated with the Kent Contact and Assessment Service (KCAS), which following a one-off specific management action yielding a saving of £93k, has a residual deficit of £153k. The previously reported +£120k pressure associated with the integration of Children's & Families Information Service (CFIS) has been mitigated by a one-off solution.

Other gross variances include reduced staff costs in the Contact Centre (-£35k); reduced staff costs with regard to Consumer Direct South East (CDSE) (-£186k), and other smaller variances totalling -£89k, producing an overall gross variance of -£157k.

The staff savings within CDSE have been made in order to off-set a reduction in forecast income of +£169k, as a result of reduced call volumes (as income is performance based). This income shortfall is being partially off-set by an increase in internal income (-£92k) and an increase in sales, fees and charges (-£30k) producing an overall +£47k income variance.

d. <u>Gateways: Gross +£71k, Income -£86k, Net -£15k</u>

The opening of a number of Gateways has been delayed resulting in a gross underspend of -£272k, but the service has re-prioritised and accelerated future year's planned activity with an additional +£129k of spend on cross authority projects. In addition, £150k has not been drawn down from a reserve due to the delay in the roll out and other smaller compensating variances account for the remaining +£64k.

The income variance mainly relates to additional external funding from Interreg to support cross authority projects -£71k.

e. Library Services: Gross -£65k, Income -£30k, Net -£95k

The service has made savings on gross expenditure, mainly through a planned reduction in running costs (-£250k) to mitigate against additional running costs associated with the Kent History and Library Centre (KHLC) where a switch in funding from revenue to capital is required due to the nature of the moving costs (+£155k).

In addition there is a £200k staffing saving from the acceleration of Radio Frequency Identification (RFID) technology saving - which has been reported previously - and there are further staffing savings of £152k from front of house integration of library and registration duties.

This is offset however by; a +£150k revenue contribution to capital to fund phase II of the RFID roll out; additional internal recharges of +£54k (mainly legal fees); CRB check costs of +£22k; revenue costs associated with capital projects of +£35k; development of TAKTIX, an online information software package, of +£27k and various other small gross pressures that equate to +£94k in total.

The Library Service is forecasting a reduction in their Audio Visual and merchandising income of +£90k reflecting a continuation of the trend of reducing sales over the past number of years, together with reduced income from fines of +£43k. This shortfall is part-compensated by additional external contributions of -£94k and increased income from internal clients of -£83k. Other minor differences of +£14k reconcile to the overall income variance of -£30k.

f. Supporting Independence & Supported Employment: Gross -£376k, Income +£48k, Net -£328k

Kent Supported Employment (KSE) is forecasting a shortfall in external income of £83k from the Department for Work and Pensions (DWP) and a reduction in income from internal clients of £26k. The Supporting Independence Programme (SIP) has a net surplus on income of -£61k, mainly from internal clients.

The Kent Supported Employment service has made savings on gross expenditure of -£303k, -£291k of which is from not appointing to vacant posts in lieu if known income reductions. There is also a £73k underspend reported for the Supporting Independence Programme (SIP).
Separate to this, the Vulnerable Learners' programme is now expecting certain costs to be incurred in the first part of 2012-13 so the forecast for staff costs has reduced by £257k but so has the drawdown from reserves so there is a nil net effect.

g. Big Society: Gross -£4,000k, Income Nil, Net -£4,000k

The Big Society Fund was established as part of Kent County Council's Bold Steps for Kent, with initial one-off funding from KCC in 2011-12 in order to support new and existing social enterprises that benefit the local community and enhance the economic and social environment of Kent e.g. a Bold Steps ambition of growing the economy and to some extend putting the citizen in control.

The Fund was established with two quite different themes, the first being a loan fund to social enterprises that are perhaps unable to secure loans through other routes. They would repay the loans, with the funds then re-cycled in order to finance further loans. Social enterprises applicants will be required to support employment opportunities for Kent residents, which can mean full or part-time employment, voluntary work, work-based training, apprenticeships or other such employment related activity.

To manage risk, it is suggested that the total commitment to the fund is capped at £3m and sequenced on an annual basis, with the release of the first £1m physically being allotted by the end of the current financial year but the impact effectively in 2012-13. A further £1m would then be available for the following two years. The scheme will be managed by Kent Community Foundation, on behalf of Kent County Council, who has operated schemes like this in the past.

KCC reserves the right not to make the further donations in 2012-13 and 2013-14 to the fund if the market appetite is not evident and each year an Annual Report will be presented to KCC in order for them to asses the market conditions. It is proposed that £1m is paid to Kent Community Foundation before 31 March 2012 and the remaining £2m will be required to roll forward to 2012-13 and 2013-14 in order to fund our commitment to the £1m annual donations to prime the KCF loan fund, subject to annual approval.

The second use for the Big Society monies available is in relation to the Government's proposal to try and encourage Youth Employment. These funds of £2.0m, will be required to pump prime the Kent Employment programme, whose purpose is to encourage Kent businesses to recruit unemployed young people who have been unemployed for a significant period.

This will be achieved by supporting employers with grants for recruiting young people from this cohort, with further funding available from Government. The launch of this programme is due to take place just prior to the end of this financial year and is due to go live from April 1$^{st}$. The programme will look to deliver a minimum of 660 long term employment opportunities for 18-24 year olds in Kent.

The £2m will be used to pay the grants to employers and will look to lever in additional funds from Work programme providers and Job Centre Plus (JCP). Due to the launch, it is unlikely that a significant proportion of the £2m will be spent in the current year and therefore this funding will be required to roll forward to support this programme, which is a strategic priority of the Council, in 2012-13.

Overall therefore, a roll forward of £4m will be required.

1.1.3.3 **Regulatory Services:**

a. Coroners: Gross -£195k, Income Nil, Net - £195k

During the handover between the retiring coroner and the now KCC-employed coroner for the Mid-Kent and Medway jurisdiction, it became apparent that there were a number of long inquests awaiting a court date, witnesses or specialist tests that needed to be undertaken. These cases had not been notified to the authority until mid way through this year. It is now apparent that these cannot be completed in the current financial year and a resultant underspend of £195k is forecast.

So as not to place pressure on the 2012-13 budget, given that this budget regularly overspends, a roll forward will be required to fund this re-phasing of inquests. The estimated cost of clearing this long inquest backlog is £150k.

b. Trading Standards (Incl. Kent Scientific Services): Gross -£216k, Income +£68k, Net - £148k

The net variance of -£148k is an aggregate of -£214k Trading Standards and +£66k Kent Scientific Services (KSS), the latter showing an increase in overspend of +£38k since the last quarter's monitoring.

The primary reason for the Trading Standards variance is an acceleration of the saving (-£172k) expected to be delivered in 2012-13 from the review of service priorities. This was brought forward, as well as extending vacancy management where possible (-£49k); in order to deliver some of the planned savings a year early in an attempt to part mitigate the directorate's pressure elsewhere. This has delivered a £221k underspend in total and other minor gross variances across both services reconcile back to the -£216k gross movement.

Within Kent Scientific Services, there is an income shortfall – both internal and external – of +£109k which has been noted in previous reports. In addition to other laboratories not closing, and therefore KSS not increasing its customer base, existing clients are reducing the number of samples that are being placed until their own budgetary position becomes clearer. This is partially offset by additional income of £41k within Trading Standards.

1.1.3.4 **Support for Individual Children:**

a. Youth Service: Gross -£88k, Income -£8k, Net -£96k

The service has delivered savings on gross expenditure mainly through the acceleration of management savings from the integration of the youth and youth offending services; the decision not to recruit to Community Youth Tutors' posts and holding vacancies at area offices which has delivered -£179k. The service has made further one-off staff savings by not appointing to the vacant Head of Outdoor Education post -£78k. However, these savings are partially offset by a lower than anticipated drawdown from reserves of +£72k, plus the cost of replacement and new training equipment for the Outdoor Education Centre of +£97k.

**Table 2:** **REVENUE VARIANCES OVER £100K IN SIZE ORDER**
(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

| Pressures (+) | | | Underspends (-) | | |
|---|---|---|---|---|---|
| portfolio | | £000's | portfolio | | £000's |
| C&C | Strat. Mgmt & Directorate Support: shortfall against Communications & Engagement activity savings target to be mitigated by management action. | +500 | C&C | Big Society: Delayed launch of youth employment programme | -2,000 |
| C&C | CLS: Reduced fees & charges and contributions from employers due to declining enrolment numbers | +382 | C&C | Big Society: re-phasing of loan fund to social enterprises | -2,000 |
| C&C | SIP: Reduction in staff and other related expenditure for the Vulnerable Leaners Scheme. A delay in the identification of the learners means the scheme will continue into 2012/13. | +257 | C&C | CLS: Management action to part mitigate income shortfall | -440 |
| C&C | Contact Centre: Shortfall against savings target of KCAS | +246 | C&C | Libraries: Reduced staff costs arising from Radio Frequency Identification (RFID) self service implementation | -200 |
| C&C | Communications & Engagement: Shortfall against income target | +244 | C&C | Kent Supported Employment: Staff vacancies anticipated to be held for the remainder of the year. | -291 |
| C&C | Contact Centre (Consumer Direct): Reduced income from Trading Standards S.E.Ltd; income is based upon price per call basis and call volumes have declined. | +169 | C&C | Gateways: Reduced spend due to delayed opening of Gateways | -272 |
| C&C | Libraries: Additional moving costs associated with Kent History & Library Centre (KHLC), mitigated by reduced spend on other running costs | +155 | C&C | Youth Service: Reduced staff costs arising from vacancy management. | -257 |
| C&C | CLS: Reduced employer responsive grant income for 16-18 & adult apprenticeships and work based learning due to economic climate | +153 | C&C | SIP - reduction in the drawdown from reserves in relation to the Vulnerable Learners Scheme. These reserves will now be called upon in 2012/13. | -257 |
| C&C | Gateways: Reduction to expected drawdown from reserves, no longer required due to delay in the rollout of the programme. | +150 | C&C | Strat. Mgmt & Directorate Support: Comms & Engagement staff vacancy management savings | -254 |
| C&C | Libraries: Revenue contribution to capital to fund phase 2 of RFID project,as programme extended to update 10 more libraries. | +150 | C&C | Libraries: Planned reduction in running costs to mitigate additional KHLC moving costs | -250 |
| C&C | Libraries: Reduced income from fines, Audio Visual and Merchandising. | +133 | C&C | Trading Standards : Reduced staff costs achieved through Vacancy Management and advancement of 2012-13 savings | -221 |
| C&C | Gateways: Additional running costs as other projects are brought forward to compensate for delay in roll out of the programme. | +129 | C&C | Coroners: Reduced Staff costs & Specialist fees due to delays in long inquests | -195 |
| C&C | Contact Centre: Shortfall against Children & Families Information Service (CFIS) saving | +120 | C&C | Contact Centre (Consumer Direct): Reduced staff costs, primarily through vacancy management, as management action towards the reduced income stream from TSSEL | -186 |

| Pressures (+) | | | Underspends (-) | | |
|---|---|---|---|---|---|
| portfolio | | £000's | portfolio | | £000's |
| C&C | Trading Standards (incl KSS): shortfall in income due to lower than anticipated demand for services from other local authorities | +109 | C&C | Libraries: Reduced staff costs arising from front of house reviews | -152 |
| | | | C&C | Strat Mgmt & Directorate Support: savings from curtailing non essential spend & extending vacancy management | -139 |
| | | | C&C | Contact Centre: One-off solution to cover the shortfall against the CFIS saving target. | -120 |
| | | | C&C | Community Wardens: Staff savings due to Warden vacancies and retirement of Head of Warden service | -103 |
| | | | | | |
| | | **+2,897** | | | **-7,337** |

1.1.4 **Actions required to achieve this position**:

*E.g. Management Action achieved to date including vacancy freeze, changes to assessment criteria etc. This section should provide details of the management action already achieved, reflected in the net position reported in table 1.*

1.1.4.1 Contact Kent

The Contact Centre was allocated a savings target of £406k for the current year, of which £366k related to the integration of the Kent Contact & Assessment Service (KCAS) and Children & Families Information Services (CFIS).

Due to a delay in the integration of KCAS and reductions in grant funding meaning that the CFIS saving was not deliverable in-year, alternative ways of mitigating the saving in the current year were sought. Subsequently one-off solutions have been found but a residual variance remains. This has been further reduced because the call quality has improved meaning that the call quality bonuses for the CDSE service have now been included in the forecasts.

1.1.4.2 Communications & Media Relations

This division, which for the purposes of the restructure, includes Local Boards (Community Engagement Officers) - has a savings target of £1.5m to achieve in 2011-12. The full year effect of the staff restructure will not be wholly achieved in the current year and this presented an in-year pressure for the service.

The overall position on this service in the current year is detailed below, and explained in the subsequent narrative:

| | £m |
|---|---|
| Anticipated part year savings from restructure | -1.000 |
| Vacancy management savings | -0.254 |
| Shortfall in income | +0.244 |
| **TOTAL** | **-1.010** |
| | |
| 2011-12 Savings Target | -1.500 |
| | |
| **Shortfall – Communications** | **0.490** |
| | |
| **Shortfall – Local Boards (incl CEO costs)** | **0.088** |

**Total Shortfall – Communications & Engagement 0.578**

a) Staff restructure
A restructure of the service has been explored. The restructure proceeded and was set to deliver in excess of £1m, full year effect. However one aspect of the proposals - in relation to Community Engagement Officers (previously Community Liaison Managers) - did not proceed as expected and this element of the saving (full year effect approximating to £265k) will not be achieved. The part-year effect of this shortfall against the savings target in the current year is shown under Local Boards; with a net overspend of £88k showing against this budget line for 2011-12.

b) Vacancy Management Savings
In-year vacancy management and not backfilling staff on maternity has enabled the service to deliver £254k of staff savings and therefore this area has been fully exhausted unless further vacancies – in the new structure – ensue in the coming months. There remains a residual pressure and this is being offset by other underspends across the directorate.

1.1.4.3 Moratorium on non essential expenditure

In order to deliver a balanced budget position, the directorate will continue to review all non critical expenditure, with the view of maximising opportunities to reduce expenditure without adversely affecting service delivery. This has delivered significant savings since the last monitoring report.

1.1.4.4 Vacancy Management

Where possible, and not just within the Communications and Engagement division, the directorate will continue to maintain and extend vacancies as far as practicable. Currently vacancies are, in some cases, being held for up to 16 weeks and our ability to maintain vacancy management at this level - without impacting on service delivery - is becoming a significant challenge.

1.1.4.5 Vacancy management, primarily within Trading Standards, Libraries and Kent Supported Employment, has delivered significant underspends to part mitigate the above gross overspends and is a significant contributor – as well as the £4m underspend on Big Society (£2m delay in the Youth Employment launch and £2m future year donations to the loan fund) - in enabling the directorate to report a current net underspend of -£5,048k, a significant improvement from the +£126k reported in quarter two's monitoring report.

1.1.5 **Implications for MTFP**:

The pressures and savings reflected in this report have been addressed in the recently approved 2012-15 MTFP. However, within this, assumptions have been made regarding grant, external funding and income levels, but there is a risk that unexpected reductions in year could materialise especially within the CLS & YOS services where grant funding is very volatile.

1.1.6 **Details of re-phasing of revenue projects**:

As referred to in section 1.1.3, there are a number of budgets where anticipated expenditure is now not being incurred until 2012-13 due to re-phasing, so to match the budget with the spend roll forward will be required as follows:

**Coroner Service - £150k:** a residual pressure in relation to a backlog of long inquests will now fall into the next financial year and so as not to place undue pressure on the 2012-13 budget, a roll forward will be required to fund this re-phasing.

**Big Society - £4,000k:** the Youth Employment programme will not launch until the end of this financial year and will go live from 1st April meaning that the current year's budget (£2m) will need to roll forward to honour the grants payable to local businesses that will be employing up to 660 long-term unemployed youths. Similarly, only the first of the three £1m donations to the loan fund – to be operated by Kent Community Foundation – will be made in the current financial year so a further £2m will need to roll to honour our commitment to those future donations.

1.1.7 **Details of proposals for residual variance**:

*This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1 and details of alternative actions where savings targets are not being achieved.*

The directorate is forecasting an underspend of £5,048k of which £4,150k will be required to roll forward to fund the re-phasing detailed in section 1.1.6 above. In addition, the recently approved 2012-15 MTFP for the Customer & Communities portfolio assumes roll forward of £433k underspend from 2011-12 to support the 2012-13 budget. This leaves a residual "uncommitted" underspend of £465k.

The directorate will be submitting the following bid for roll forward from this residual underspending:

**Communications & Engagement £200k**: It has become apparent that in order to maintain levels of income and partnership funding in future years that a dedicated central campaign budget needs to be established in order to focus on funding and the authority's strategic priorities. As part of the centralisation of Communications and Engagement, only staff budgets transferred into the new Communication and Engagement division in C&C directorate, with activity budgets remaining within the service units.

The newly appointed Programme Managers will be visiting each service within KCC over the coming months to understand their required outcomes and priorities for the future years. The Communication and Engagement division will be reviewing all activity spend and ensuring that this represents best value for money and will aim to recycle certain funds to create such a campaign budget. A roll forward request of £200k will therefore be made in order to provide a budget for 2012-13, with future years' budgets to be created through the work that the Programme Managers will be conducting with the service units.

## 1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

The capital cash limits have been adjusted to reflect the position in the 2012-15 MTFP as agreed by County Council on 9 February 2012, any further adjustments are detailed in section 4.1.

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position excluding PFI projects.

| | Prev Yrs Exp £m | 2011-12 £m | 2012-13 £m | 2013-14 £m | Future Yrs £m | TOTAL £m |
|---|---|---|---|---|---|---|
| **Customer & Communities** | | | | | | |
| Budget | 37.088 | 18.035 | 6.512 | 5.006 | 10.199 | 76.840 |
| Adjustments: | | | | | | |
| Rephasing as per December Monitoring | | -0.483 | 0.483 | | | |
| Library Modernisation Programme | | -0.006 | 0.043 | | | 0.037 |
| The Beaney Centre - Additional Funding | | 0.329 | | | | 0.329 |
| | | | | | | |
| Revised Budget | 37.088 | 17.875 | 7.038 | 5.006 | 10.199 | 77.206 |
| Variance | | -0.308 | 0.646 | | | 0.338 |
| **split:** | | | | | | |
| - real variance | | 0.263 | 0.075 | | | 0.338 |
| - re-phasing | | -0.571 | 0.571 | | | |
| | | | | | | |
| **Real Variance** | | **0.263** | **0.075** | | | **0.338** |
| **Re-phasing** | | **-0.571** | **0.571** | | | |

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2011-12 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

**Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER**

| | | | Project Status | | | |
|---|---|---|---|---|---|---|
| portfolio | Project | real/ phasing | Rolling Programme | Approval to Spend | Approval to Plan | Preliminary Stage |
| | | | £'000s | £'000s | £'000s | £'000s |
| **Overspends/Projects ahead of schedule** | | | | | | |
| | None | | | | | |
| | | | **+0.000** | **+0.000** | **+0.000** | **+0.000** |
| **Underspends/Projects behind schedule** | | | | | | |
| C&C | Edenbridge Community Facility | Phasing | | -0.421 | | |
| | | | | | | |
| | | | | | | |
| | | | **-0.000** | **-0.421** | **-0.000** | **-0.000** |
| | | | **+0.000** | **-0.421** | **+0.000** | **+0.000** |

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

There is a real variance of +£0.338m (+£0.263m in 2011-12 and +£0.075m in 2012-13)

**Modernisation of Assets: +£0.111m** (in 2011-12): The increase in costs is a combination of the following:

- Hextable Dance: +£0.067m: necessary works required under the terms of the lease with South East Dance
- Swattenden Centre: +£0.031m: modernisation of the Duke of Edinburg classroom
- Trading Standards: +£0.013m: purchase of a new vehicle

The increase costs will be funded from a revenue contribution.

**Kent History & Library Centre: +£0.207m** (+£0.142m in 2011-12 and £0.065m in 2012-13): Due to variations in the design, certain internal specifications have altered, such as IT infrastructure, and the fit out programme are scheduled to cost an additional £0.098m. There are also additional costs in relation to art installation. These have been fully funded from developer contributions received, but not previously included within this budget.

Overall this leaves a residual balance of +£0.020m on a number of minor projects.

1.2.6 **General Overview of capital programme**:

The risks set out in (a) below must be read in conjunction with section (b), which are the actions being taken to alleviate the potential risks.

(a) Risks

**Library Modernisation Programme –** Broadstairs is the main project, which if delayed, could result in significant re-phasing of costs into 2012-13. As this is linked to the Modernisation of Assets (MOA) programme (an aim to conduct works simultaneously in order to minimise cost and disruption), delays in relation to Disability Discrimination Act (DDA) works and planned maintenance would also ensue. The risk of increased costs for this or any other modernisation is not considered to be significant.

**Modernisation of Assets Programme –** the programme of works is determined in conjunction with service requirements, corporate priorities and largely the Library Modernisation programme. Any delay from whatever source will impact directly on delivering improvements to facilities and result in slippage of the inter-related programmes.

**The Beaney –** Higher costs from design team claims for additional fees, and additional fitting out costs could lead to unavoidable further increases to the overall project cost.

**Gateways –** Sheerness running costs exceed anticipated levels.

**Kent History & Library Centre –** Design or project variations may also cause additional pressures on the budget although the build is almost complete.

**Turner –** the gallery is now complete and therefore the risk of variations is limited but may still arise due to necessary changes to remedial works that have not been budgeted for.

**Ramsgate Library –** there is small risk that the costs of the final snagging works will exceed the funds available or that the surplus will have to be returned to the Administrator.

**Tunbridge Wells Library –** a risk that the associated costs to ensure full DDA and fire compliance, and the costs of the lift installation, cannot be met from the existing budget.

**Community Centre at Edenbridge –** now that the project has commenced, any delay could result in a delay to the completion and opening of the project.

**Web Platform –** programme delivery and cost is impacted by the availability of in-house technicians/external consultants.

(b) Details of action being taken to alleviate risks

**Library Modernisation Programme –** the Library Modernisation Project Board, including support from the Property Group, is overseeing this programme and co-ordinating appropriate project management, design development, estates and financial advice and linking into the Modernisation of Assets programme as appropriate. Expenditure has been profiled over the coming year, in line with latest information available.

**Modernisation of Assets Programme –** by working very closely with Property and Heads of Service, careful planning is in place to ensure that, as far as possible, investment is co-ordinated with other funds available and targets service priorities in the most cost effective manner.

**The Beaney –** a fixed price agreement with the contractor for the construction costs is now in place, with the anticipated opening date to be confirmed but remains on schedule. There is an ongoing assessment of all risks by the project managers and the schedule of associated costs is continually reviewed and challenged. Further value engineering in relation to the fit out is taking place and the project managers are actively and robustly addressing various claims by the design team to minimise/ eliminate any additional costs.

**Turner –** any variations would need to be assessed and funding sought where appropriate and should any occur, these will be reported through this report.

**Gateways –** The anticipated running costs and available budgets are being assessed in detail with Property and partner colleagues.

**Kent History & Library Centre –** The costs associated with the design changes will be met from banked developer contributions not allocated within the current budget. Additional funding is being sought from external partners and other sources towards the art installation, with the developer contributions to be reallocated should significant sums be achieved. Any further variations would need to be assessed and funding sought where appropriate.

**Ramsgate Library –** the outstanding defects liability has been costed by the Quantity Surveyor and formed part of the settlement negotiations. The programme of work is now being tendered and will be monitored against the funds available. The tender process will commence in February 2012 and progress will be monitored through these reports.

**Tunbridge Wells Library –** any additional works and therefore funding will have to be prioritised alongside other DDA priorities within the MOA programme. Half the costs of the works to the library will be shared equally with TWBC.

**Community Centre at Edenbridge –** This is a design and build contract signed at a fixed price, limiting to a minimum future cost rises. The anticipated opening of the new centre remains on schedule.

**Web Platform –** With active support from ISG, delay to the programme should be minimised with completion now expected in 2012-13. Governance for Customer Service Strategy-related web projects will be overseen by the Access & Assessment Team.

### 1.2.7 Project Re-Phasing

Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table below.

| | 2011-12 | 2012-13 | 2013-14 | Future Years | Total |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| | | | | | |
| **Village Halls & Community Centres** | | | | | |
| Amended total cash limits | 0.278 | 0.200 | 0.200 | 0.600 | 1.278 |
| re-phasing | -0.110 | 0.110 | 0.000 | 0.000 | 0.000 |
| **Revised project phasing** | **0.168** | **0.310** | **0.200** | **0.600** | **1.278** |
| | | | | | |
| **Edenbridge Community Centre** | | | | | |
| Amended total cash limits | 0.451 | 0.248 | 0.000 | 0.000 | 0.699 |
| re-phasing | -0.421 | 0.421 | | | 0.000 |
| **Revised project phasing** | **0.030** | **0.669** | **0.000** | **0.000** | **0.699** |
| | | | | | |
| **Total re-phasing >£100k** | **-0.531** | **0.531** | **0.000** | **0.000** | **0.000** |
| | | | | | |
| **Other re-phased Projects below £100k** | **-0.040** | **0.040** | **0.000** | **0.000** | **0.000** |
| | | | | | |
| **TOTAL RE-PHASING** | **-0.571** | **0.571** | **0.000** | **0.000** | **0.000** |

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A